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Economic Conditions
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General Business Conditions

THE slowing down of business, which became noticeable in some lines in April and was more pronounced in May, has been the subject of absorbing interest in June. Uncertainty as to the extent of the reaction has increased. Doubt as to the staying powers of our newly-found prosperity has spread. For this increased degree of unsettlement certain events in and around the stock market seem to be mainly responsible. The market has been shaken by several failures, which were in no way significant of general business conditions but were of the sensational class of news which gets general attention and is always disturbing to confidence. This put a damper on hopes of a forward movement in stocks for the present, and so much is said of the stock market as forecasting industrial conditions that a further slump in that quarter, just when the business community was on the lookout for signs, naturally would have some effect upon sentiment.

The stock market reflects conditions that are influential upon general business, but does not always clearly indicate just what the immediate trend is to be. One of the most potent influences upon stocks is the state of the money market. The rise of stocks from the low point of 1921 probably was due in the main to the growing ease of money, coupled of course with confidence in the recuperative powers of the country; stocks were believed to be cheap for the long pull, regardless of immediate conditions. And so the check to a rising stock market last Spring probably was due in the main to misgivings that money might become tight, together with a realization that stocks already had enjoyed a great rise. The last break probably is more significant of the influence of the brokerage failures and of business hesitation upon speculation than of any pronounced opinion among the speculators about the future of business. The stock market at this time is looking for light rather than shedding light. The fact that bonds have been weak along with stocks is proof of the confusion, for if business is going into depression bonds should advance.

It is evident that the country was distrustful of the March boom, with its wage and price advances, and has been moving cautiously ever since. Everybody with a memory three years long recognized the danger of stifling prosperity by rising costs and prices. Caution was enjoined on all sides. Moreover, the free buying of early Spring, which was the influence starting prices upward, satisfied needs for a time, the more so as the Spring season proved to be backward. The heavy falling off in building permits in certain large cities, notably New York, was influential upon opinion, and signs of price-weakness in numerous lines, which appeared about the same time, still more so. The reaction had gone far enough by that time to confirm suspicions that the March pace was too fast and could not be sustained. Instead of being stimulated to place future orders, as in March, dealers relapsed to hand to mouth operations. Adverse balances in foreign trade in three successive months apparently have had a sentimental effect, although there is nothing in that situation that need give concern. The foregoing seem to have been the principal factors in the falling off of buying at wholesale. Buying at retail has been very well maintained, unfavorable weather considered.

Production and Prices

Now what are the general conditions relative to the maintenance of industrial activity? Throughout this quiet period in the markets production in nearly all lines and traffic upon the railroads have been maintained in record volume. Car-loadings in the four weeks ended with June 9, and in the corresponding weeks of the three years next preceding were as follows:

Week	1923	1922	1921	1920
June 9	1,013,249	836,208	787,283	930,976
June 2	932,041	739,559	706,508	828,907
May 26	1,014,029	806,877	795,335	898,207
May 19	991,797	780,953	770,991	862,030

This is as good evidence as can be had that goods are moving in trade. It is said that

they are moving on orders placed before the slump, while present anxiety relates to the fact that new orders are falling off. We will consider that later. Meanwhile, not only are goods moving from producers at a record rate, but the factories are still busy with production. There are few signs as yet of unemployment. The New York Department of Labor, whose survey includes a greater variety of industries and greater number of employes than that of any other state agency, reports employment in May about 1 per cent below April, but adds that "there is nothing in these figures to indicate a reversal of the upward swing in manufacturing which has been in effect since last Summer. The height of the Spring season is past in May and a slight decline usually occurs. . . . Employment is 15 per cent higher than it was a year ago."

The same authority reports average weekly wages in New York factories in May at $27.63, which was 63 cents higher than in April and $3.00 higher than in May, 1922. Upon the subject of wage-increases it says, further:

> The increases in average earnings may be ascribed almost entirely to wage rate increases. The halt in the rising trend of employment and wholesale and retail prices has not yet extended to wage rates. More than three-quarters of the industry divisions of the State reported higher wage scales. Both the number of establishments and the number of employees affected was considerably greater than last month and that was much the highest month for wage rate increases since 1920. The number of employees who received increases from April to May was several times as great as in any previous month since the rise began.

The reports of the Department of Commerce and Bureau of Labor at Washington for the whole country are similar to above reports for New York State. There is no general diminution of employment and wages are still tending upward.

Activity in Iron and Steel

The production of steel in May was the largest ever known in this country, being at the rate of nearly 50,000,000 tons per annum, and was running at the rate of about 48,000,000 tons in June, although the output usually declines in hot weather. The production of pig iron in May also surpassed all records, being at the rate of 45,500,000 tons of coke iron. It is true that orders for iron and steel, and particularly for pig iron, have fallen off, but it is significant that almost no bookings have been cancelled. It is customary for new orders to fall off in a period of price-weakness, and if the situation is pronounced cancellations are numerous. At this time buyers of iron and steel appear to be more anxious about prompt deliveries than about their ability to sell or the price fluctuations. The Iron Trade Review of June 23 says:

> Buyers, while they are regaining confidence gradually and placing a larger new tonnage with producers, are not closing liberally and incoming business falls much short of matching shipments which are extraordinarily heavy in keeping with production. The strong points of the situation remain the way in which tonnage is being absorbed by users of material up to the limit of record-breaking output and the complete absence of requests for the suspension and cancellation of orders. Barring minor exceptions, prices display fundamental firmness.
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> Railroad consumption of steel by the transportation interests as measured by the tonnage being taken in current shipments has not been equaled in many years. All the leading rail mills are booked to capacity to the end of the present year. One important interest is filled up through February of next year on the basis of present operations.
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> The settling of pig iron continues the chief factor in putting down Iron Trade Review composite of fourteen leading iron and steel products. This week the index is $46.34 against $46.53 last week and a high mark of $47.70 the first week in May.

The Matthew Addy Company, pig iron brokers at Cincinnati, in their last weekly letter, say:

> Have pig iron prices reached bottom? That is the question that is uppermost in the consumer's mind today. For many weeks now buyers have refrained from covering their future requirements—fearful lest there might be a further reduction.
>
> The important fact is that foundries and pipe shops are busy today. Ordinarily at this time of the year with summer vacations approaching and the semi-annual inventories at hand we are flooded with requests to suspend shipments. This, however, is not the case today. Those who have pig iron due them are demanding it and insisting that shipments be traced through. They are carrying no surplus stocks and can take no chances on railroad delays. This week we sold one of our friends 5,000 tons of iron for delivery extending over several weeks. Immediately after the order was placed we received a telegram from him asking us to arrange to have the entire quantity shipped out at once. This same thing is being repeated in a smaller way on smaller orders and reflects very plainly general conditions.

In view of the orders in hand, the revival of buying in the last month and the volume of construction work in hand, the iron and steel producers express confidence that they will have all they can do in the remaining months of 1923.

The Equipment Industries

The railway equipment companies have large uncompleted contracts in hand which will keep them generally busy during the remainder of the year. The Railway Age of June 23 has the following to say of the equipment work in hand.

> In the first five months of 1923 the number of new locomotives ordered was 1,598, as compared with only 460 in the same months of 1922. Additional orders placed in the first two weeks of June increased the total number of locomotives ordered up to that time to 1,684. The number ordered in the entire year 1922 was 2,600, which shows that two-thirds as many were ordered in less than one-half of the present year than in all of last year.
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> The number of freight cars ordered in the first five months of this year was 65,699, as compared with over 77,000 in the same months of last year. Up to the middle of June total orders of freight cars were 67,209. The number of passenger cars ordered in the first five months of this year was 1,250, as compared with 1,195 in the same months of last year and up to the second week in June the number of passenger cars ordered was 1,300.

One reason why the orders placed for new equipment recently have shown a decline doubtless is that as a result of the large orders placed in the latter part of last year and the early part of this year there were on June 1, 107,079 freight cars and 2,041 locomotives which had been ordered but not delivered.

In the 17½ months which ended at the middle of June the number of freight cars ordered was 248,181, the number of locomotives ordered was 4,248, and the number of passenger cars ordered was 3,682. This was at the annual rate of about 176,000 freight cars, 2,850 locomotives and 2,500 passenger cars, and represents on the whole the largest order for equipment ever placed by the railroads in an equally long period in more than 10 years.

Hydro-Electric Development

High wages in the industries are stimulating the installation of labor-saving machinery, and high prices for coal are stimulating hydro-electric development on a large scale. The companies manufacturing such machinery have a large back-log of orders. The Electrical World announced last January that construction plans for 1923 in the United States would require the expenditure of $125,000,000 for transmission lines alone. This same authority estimates that the needs for transmission line construction in this country over the next five years will amount to over $900,000,000. This does not include generating machinery or other equipment. Much of this work is under way and there will be no sudden suspension of it. Another authority reports $600,000,000 worth of electrical construction under contract. A recent contract given by the Virginia Railway for the electrification of 213 miles of its road is significant of probable development of this class.

Metals, Minerals and Oil

For more than a year the demand for copper was such that stocks were steadily reduced and prices moved upward to above 17 cents per pound. As a result of the cessation of buying since March, the price reacted about 3 cents. The position of copper, however, is statistically very strong. The war stocks have disappeared, and the accumulation of stock against which the companies borrowed $40,000,000 two years ago has been sold and the loan paid. Present stocks are small, scarcely more than one month's consumption at the present rate. Production for the five months ending with May aggregated 867,000,000 pounds, while the takings of the domestic consumers and exports in the same line aggregated 985,000,000 pounds. Electrical development means use for copper, as do all building operations. The outlook for foreign demand is excellent.

The production of both lead and silver has been stimulated by the Pittman act prices for silver. Lead, however, has been in strong demand on account of the great building operations, but the price has eased off lately to 7 cents per pound, which is still high. Zinc is in much the same position statistically as copper although prices have declined. The demand for all three metals will depend mainly on construction work.

The outlook for silver is not good. Pittman act purchases have been completed. The entire production of this country has been taken at $1 per ounce by the Treasury, when foreign silver was selling at 25 to 35 cents per ounce under that figure. The silver used in the domestic industries has been imported. Hereafter an amount of the metal equal to the entire domestic production will be added to the amount seeking a market outside of this country.

The oil industry is disturbed by the enormous production of new fields in Southern California, which now amounts to approximately one-half that of all the other fields in the country, and threatens to increase rapidly unless controlled. The fact that these fields extend under incorporated cities where the property is subdivided into city lots, makes a very wide distribution of ownership and has resulted in an extraordinary number of drillings, thus tending to develop and exhaust the deposit very rapidly. The oil is brought to the Atlantic side through the Panama Canal as fast as tankers can handle it, prices in all fields have been reduced, and oil stocks in consequence have been a weak element in the stock market. Negotiations are under way among producers for voluntary curtailment not only in the California fields but elsewhere. The State Conservation official of Arkansas has requested that drilling operations cease in that State and the large operators have complied with the request.

The production of both bituminous and anthracite coal in the first six months of this year has been at a very high rate. The situation in bituminous has become sharply competitive again, with prices down to the point where numerous producers are now being eliminated. The anthracite wage agreement expires September 1st and the miners have formulated a claim for another advance of 20 per cent. The report of the Coal Commission is daily expected.

The lumber industry is very prosperous, although price concessions are being made in some quarters. The future obviously depends upon building operations.

Automobile Industry

The automobile industry has had the greatest six months in its history, outdoing the most sanguine expectations. The following

table shows production of cars and trucks since January and comparison with last year:

	1923 Passenger cars	1923 Trucks	1922 Passenger cars	1922 Trucks
January	223,706	19,398	81,693	9,416
February	254,650	21,817	109,171	13,195
March	319,638	34,681	152,959	19,761
April	344,474	37,527	197,216	22,342
May	350,180	42,983	232,431	23,788

Production of cars in the first five months totaled 1,492,648 against 773,470 in 1922, and production of trucks 156,406, against 88,502 in 1922.

There has been little or no reduction of output in June. It is not supposed that this rate will continue in the second half of the year, but to this time none of the leading manufacturers have been able to catch up with orders. At least it is to be said that the public has shown no disposition to practice economy by curtailing expenditures for automobiles. Farm implement business is about 70 per cent of normal, but much better than last year.

Textile Industries

The consumption of cotton by the textile mills of this country in May aggregated 620,965 bales, which has never been exceeded in any month except in March last, and compares with 495,337 bales in May, 1922. In June operations upon cotton have been somewhat reduced, owing to dullness in the cotton goods market and clearly due to the fact that old crop cotton has been selling 2½ to 3 cents per pound above the new crop deliveries of next Fall. Naturally, the mills are operating only to cover immediate orders for goods, and merchants are buying only to cover their trade between now and the time when goods from cheaper cotton can be had. There is not enough old crop cotton in the country to operate all the mills until the new crop is in the market. The fact that the mills are operating to the extent they are under the circumstances is conclusive proof that stocks of cotton goods are low and that the mills will run freely on the new crop.

The woolen goods industry is just now between selling seasons, with the mills operating on orders for Fall goods, which were large, and preparing to open within a few weeks their lines for next Spring's deliveries. The talk is all for higher prices, based on higher prices for wool and higher labor costs. Dealers vigorously oppose the trend, claiming that there is danger of a buyers' strike; the outcome doubtless will depend upon the general state of prosperity among consumers. Of the other industries it may be said generally that they are dependent upon general prosperity.

The price declines in commodities have not been large. The Bureau of Labor's weight table of 404 commodities declined to an average of 156 in May from 159 in April, prices of 1913 equaling 100. This change is about 1.9 per cent. The index is about 5½ per cent above May, 1922. The table of 20 basic commodities of the Federal Reserve Bank of New York shows a decline from the peak prices of April to the third week of June of 4.5 per cent.

What of the Future?

This review of the industries does not suggest on-coming depression, but we are asked what the present activity signifies in view of the admitted fact that buying has subsided? The very fact that production has been running at a high rate for some months may be interpreted to mean that wants are supplied for a time. Productive capacity has been largely increased; is it above the consumptive capacity of the country? Is it probable that the country can go on absorbing pig iron, steel, automobiles or railway equipment, or building houses, upon the scale of production we have recently touched? Does the country need them, and are the incomes of the people in the different lines of industry sufficiently well balanced to enable them to keep on making the various products and taking them from each other? That is the crux of the situation.

We know it to be true that in some of the lines named above the industries have been stimulated by deficiencies in production in recent years and we have reason to expect that as these deficiencies are made good production will decline. Have they been made good?

We are familiar with the fact that business tends to swing from depression to excessive activity, and then back to depression, and that wage and price movements such as occurred in March are signs of danger Are we to conclude that this spell of prosperity has exhausted itself?

It is pointed out by a careful student of such conditions that periods of revival following a serious crisis always have been shortlived, and this is a revival following the most extensive and violent crisis ever known. We are not inclined, however, to accept any such generalization as conclusive. The rule will hold good only when all the conditions are repeated. We think that in some important respects the conditions of 1920-23 have been and are different from the conditions attending other crises and recoveries.

Construction Work the Principal Factor in Boom Times

There is general agreement that except in war times the most important fluctuations in industry are in construction work, either

house-building or the construction of industrial equipment or durable structures of some kind constituting lasting improvements. The variation in this class of work is much greater than in the production of food-stuffs, wearing apparel and other goods that are quickly consumed. A large proportion of the population is required on the average over a period of years in the industries that supply the new houses and furnishings, industrial equipment and public facilities of all kinds needed by our growing population and that result from the changes in tastes and customs. If this portion of the population could be steadily employed year in and year out our industrial fluctuations would largely disappear, but this class of work does not have to be done with regularity, and in fact there are great variations in it, which affect general prosperity. When construction work is in full swing, including the industries that supply the materials, we have full employment and the highest state of prosperity. When construction work falls off, not only is there unemployment in the trades directly affected but a loss of purchasing power in their members that affects all the industries.

All construction work involves an investment of capital which is only released over a term of years, and if unwisely invested may be unremunerative for a long time and may be lost. There is a marked tendency to overdo construction from time to time, making it necessary to wait for demand to catch up with supply, and these fluctuations have been the chief factors in our periods of marked prosperity and depression.

Crisis of 1920 and Revival of 1922

The crisis and depression of 1920, however, had a different origin. It was not brought about by an excess of construction work. The great inflation of prices was not due to activity in building operations, but to activities for war purposes and resulting from war conditions. These activities forced the suspension of development and improvement in many lines, and a deficiency existed in these lines when the depression came on. Prices and costs had been inflated, credit was overstrained, a fall of prices in some lines but not in others caused industry to become unbalanced, and the needed construction work was restricted.

The revival of 1922 is attributable to several causes working together. A fall of prices for manufactured goods and rise of prices for agricultural products improved the position of the farmers, and a great increase of construction work caused a demand for labor and an increase of purchasing power that restored general prosperity. The question now is whether or not these influences have exhausted themselves, and to what extent conditions here may be affected by events in Europe.

The Building Industry

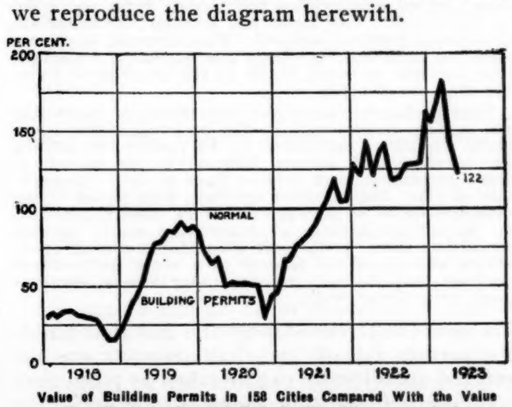
To what extent has this country made good the deficiency in dwellings, office buildings, public buildings, and other construction work which existed when the depression began?

A careful review of the building situation as it existed a year ago was published in June 1922, by the Cleveland Trust Company, from the pen of Col. Leonard P. Ayers, vice-president of that institution. He summed up his findings as follows:

> A study has been made of the value of building permits in fifty large cities from 1900 through 1921, and by extending the general trend of the pre-war expenditures an attempt has been made to estimate what the volume of new construction would probably have been if the war had not occurred.
>
> The difference between the new construction actually undertaken in the six years from 1916 through 1921, and the amount that probably would have been begun if the war had not intervened, is so great that it is equal to 2.44 times the estimated normal construction for 1921.
>
> The existing building shortage in these fifty cities is so great that building could continue at about 25 per cent above its normal activity for ten years before it would entirely make up the deficit.

The 50 cities under examination include about one-fourth of the population of the country.

The Monthly Review of the Federal Reserve Bank of New York in its May number presented a diagram based upon Bradstreet's figures for building permits issued in 158 cities in each year from and including 1917, with allowance for price changes, seasonal fluctuations and year to year growth, the purpose being to bring the result into comparison with pre-war building and determine the relation of recent operations to normal,—normal being taken to mean the amount of building which might be anticipated if construction kept pace with population. By the courtesy of the Federal Reserve Bank of New York we reproduce the diagram herewith.



Value of Building Permits in 158 Cities Compared With the Value Normally to be Expected Each Month. Allowance made for Seasonal Fluctuations and Year to Year Growth.

It will be seen that it was not until the latter part of 1921 that building permits rose above normal and the country began to actually gain upon the deficit.

Bradstreet's figures for building permits granted in 164 identical cities show a drop from $139,383,000 in March, 1923, to $47,468,000 in April and $37,358,000 in May. The New York figures for May, 1922, were $49,004,000. Outside of New York, the figures for March were $237,857,000; April, $279,420,000; May, $223,279,420; May, 1922, $198,892,000.

These declining figures seem to have led some people to conclude that construction work has gone over the crest and is rapidly declining, but we think this is far-fetched. A statement issued by the Board of Governors of the American Construction Council, of which the Hon. Franklin D. Roosevelt is President, on May 16 last, stated that the amount of building done in 1922 had taxed the labor supply and facilities for producing materials to the limit, and that the amount of building so far projected in 1923 was 40 per cent in excess of the amount projected to the same date in 1922. Evidently work was being planned for 1923 in excess of the capacity of the industry. The statement referred to went on to say:

Second—Stocks on hand in practically all of the materials entering construction are lower than last year, while the unfilled orders are greater. Recent figures showed that orders on hand for common and face brick were about 60 per cent higher, and the stock on hand, about 16 per cent lower than in 1922. Orders on hand for bath tubs, lavatories, and other sanitary ware ran 78 per cent higher and stocks on hand 40 per cent lower than last year. From the construction field reports indicate that material salesmen are slackening their solicitation of orders to a great extent and that manufacturers are, in many instances, unwilling to accept additional orders for any reasonable period of delivery.

Third——Material prices are rapidly rising. Contractors in different parts of the country report that jobbers and manufacturers are unable to maintain their quotations for more than a day or two at a time on certain manufactured products; and it appears that the current demand has reached that stage where competition has passed from the seller to the buyer. The latter are bidding for materials, and sending prices upward. Furthermore, to aggravate the situation, deliveries are becoming uncertain, and recourse is being taken to the practice of over-ordering for the job.

Fourth—Labor rates, like the prices of materials, are rapidly increasing. In the building trades especially employers are placed in the position of bidding for services and paying bonuses to an extent, in many instances, even greater than in 1920. Regardless of what the different opinions may be as to the reasonableness of a wage 15 or 18 dollars per day, for skilled mechanics, we know that under present conditions these scales will soon stop building operations and leave the laborer in a more unfavorable position than he will occupy under steady employment at a lower wage.

Under the circumstances the fact that building permits fall off and that contracts are not entered upon hardly can be taken as proof that construction work is going to be seriously reduced. There is proof on the contrary that the building campaign is nowhere near its end. It is being held up first of all by physical limitations. It is true that the rising costs may cause much of the work to be postponed indefinitely, but the fact that the buildings are wanted on the basis of costs prevailing prior to May 1st is a very definite element of strength in the situation. The fact that employers have granted wage advances since then is evidence that they believe there is a considerable amount of work that will go forward even under the new conditions. As the deficit in buildings is reduced, the urgency of the demand for more doubtless will be modified, and the disposition to hold off for lower costs will be strengthened. Ultimately the wage question will have to be dealt with again, and there may be several set-tos on the subject before the deficit is fully overcome. However much there may be of this it seems safe to say there is no prospect of a decline in actual building activities in 1923.

We have already stated that the railroad equipment companies are well supplied with work for the remainder of this year. Highway construction is also an important factor in the employment situation, and appropriations are already available for carrying on this work through this year and beyond.

Agricultural Conditions

It is true that the prices of agricultural products are too low in comparison with the prices of other products, but the case is sometimes overstated. All agricultural products are not in the same position. The South had very good returns from its cotton crop last year and seems likely to have this year. Corn is up to about double the price at the low point, wool and sheep and sugar beets promise good returns, dairy products have been doing very well and the outlook for cattle is improving. The Bureau of Labor index numbers by classes for the month of May shows farm products at 139 as compared with 156 for all commodities, on a base of 100 for 1913. The farmer is not going to be a free buyer under existing conditions, but these unquestionably are temporary, and meanwhile the deficit in his buying power is being made up by full employment in the other industries at high wages.

The Foreign Situation

The prospect for an early settlement of the Ruhr situation does not seem encouraging, and conditions in Germany appear to be more desperate with every passing day. But financial and industrial collapse have been predicted so long without coming that a degree of confidence has been generated in the ability of a country to get along in some way without any standard of values. It is poor going,

but it seems to be possible. So long as people work and produce they find some way of exchanging services, and even of buying abroad.

Up to this time the United States has suffered more from the uncertainty in regard to Europe's probable purchases than from loss of trade as compared with pre-war years. Europe's importations of wheat from us have actually increased, but purchases are made cautiously, as needed, and the speculative dealers who buy the wheat crop at harvest for distribution throughout the year are timid about carrying wheat for the European market.

In April last our exports to Germany amounted to $26,289,000 and our imports from Germany to $13,641,000 In the ten months ending with April our exports to Germany aggregated $251,181,000 against $108,031,000 imports from that country. For these 10 months Germany's purchases of cotton from us were second only to those of Great Britain. They are buying and paying somehow, notwithstanding the situation in the Ruhr, which unquestionably reduces the trade. On the whole, past experience inspires a good deal of confidence that trade with Germany will find a way to go on, and that our trade with the world will increase rather than diminish.

The Harvard Economic Service has distributed a review of the state of world commodity stocks at dates since January 1, 1920, by J. M. Keynes and R. B. Lewis, which states that of 14 important commodities examined 7 reached a maximum between the middle and end of 1921, whilst 10 were at their minimum and 12 were showing a declining tendency in January, 1923. Among the latter were cotton, wool, jute, copper, lead, spelter, sugar, coffee, tea and nitrate. The ones reported as showing increased stocks were tin, rubber, crude oil and wheat.

Conclusions as to the Business Outlook

The general conclusion from the foregoing survey would seem to be that actual construction work will go on at least through the present year at about the capacity of the industry, and that employment in the principal industries will be maintained about as at present. If so, it will mean a resumption of buying and good Fall trade. If the latter is realized, the present slump will have disappeared and the scene of our apprehensions will have been moved ahead to next year.

In valuing the apprehensions which are manifested in some quarters about the present situation it should be considered that neither the price level nor the credit situation is anything like what it was in 1920. No such price recessions as occurred then could occur again, even if we should go into industrial depression, and it follows that there could be no such losses. There is no state of credit extension or stringency to cause pressure for the contraction of business or the sacrifice of assets. There are no such drastic readjustments to be made as were made then, and no possibility of such a shock to confidence as in 1920. There is no occasion as in other periods of prosperity to stop for the purpose of catching up with premature development; there are no stocks of goods to be worked off before more are needed. Here is a nation of 110,000,000 people with daily wants to be supplied, and with industries now fairly well adjusted to world conditions. In no respect are the conditions parallel to those of 1920 and 1921. The entire situation was new and strange then. Nobody knew what might happen to Europe or what the effects might be here. It was all a guess as to how low prices might go and who would be solvent. The whole world has gone a long way toward finding itself since then.

The business sky is seldom entirely clear of clouds, and the rise of industrial costs which started last Spring and is still in progress is unfavorable to permanent prosperity. The apprehensions which have been aroused have served a good purpose in checking the pace that was developing. The wage advances that are being demanded, and in many instances granted are menacing, not in the main because of their effect upon the profits of the employers immediately involved, but because they threaten the general prosperity. This is particularly true of those which are pressed by the arbitrary power of organizations which have the power to disturb the general business of the country, for such advances interfere with the free play of economic forces, whereas a spontaneous rise of either wages or prices under competitive conditions sets in motion corrective influences. As to the outcome of such tendencies, reliance must be placed upon the common sense of the people. The labor organizations no doubt have the power to wreck the present prosperity, but we are not expecting them to press their claims to that extent.

It is always necessary to take account not only of the logical results of the economic factors in a situation, but of what other people think of them and are likely to do about them. The present situation is largely psychological, i. e., dependent upon what people think and are moved to do in efforts to promote their interests. There is no reason why the country should not go on in moderation with full employment and prosperity spreading until every department of industry is included. Judging by the obvious possibilities and probable trend we expect good business for the remainder of this year at least.

Present Building Situation

With the rush of new building projects came the rise of costs which is the disturbing factor at the present time. The general expansion of industry created a competitive situation in common labor. Road building, farm work, the coal mines, the steel mills, cement mills, railroads and other employments were competing for men in the building material and building industries, and wages inevitably advanced. The Department of Labor reports show that with 1913 prices as the base, building materials in April , 1922, were 156 per cent and in April, 1923, 204 per cent. It was inevitable that this movement should extend to the skilled building trades. In Chicago on May 1st wages were advanced to the uniform rate of $1.25 per hour for all the building trades. A uniform rate is contrary to custom and not in harmony with the terms of the Landis award, under which the building trades of that city have been working for several years. The contracts under the Landis award expired June 1st last, but the Citizens' Committee, which was organized to support the contractors and labor unions that accepted the award has decided to continue its activities in support of order and fair dealing in the industry.

In the fight to sustain the Landis award, the unions accepting the award agreed to work on jobs with non-union men of the trades repudiating the award, and the Citizens' Committee undertook to bring mechanics into the city to take the place of the strikers but not to displace the loyal union men. The Committee in a recent statement says:

> Nineteen unions have stood by their agreements. Fourteen have repudiated the Award and have been established on the open shop basis. In these trades the Committee has undertaken to furnish workmen and to offer protection. The protection included protecting the workmen and also insuring the contractors' work against sabotage, bombing, arson, etc. The employment office organized a corps of road men to engage competent mechanics and has brought to Chicago about 15,000. It has made about 40,000 placements. At one time the Committee had over 700 private guards protecting workmen and property. It has carried riot insurance up to $65,000,000 at one time.
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> The unprecedented building boom has greatly added to the difficulties of the Committee's work. In 1921 the building permits in Chicago were $125,000,000; in 1922 they amounted to $225,000,000 and, during the first four months of 1923, they were $140,000,000. While there has been great building activity throughout the entire country the percentage of increase in Chicago has been higher than anywhere else. As a result of this unprecented demand for workmen and the bidding for workmen by contractors not sympathetic with the Landis Award, wages have ·isen above the rates named in the Award; yet in spite of this boom the principles of the Award have been maintained and there have been no strikes, there has been no graft, there has been a free market for materials, and union workmen in nineteen trades have worked along side by side with non-union men in fourteen other trades without friction. All this has been accomplished at great cost and in the face of every known obstruction on the part of leaders of the anti-award unions. Sluggings, bombings, sabotage and murder have run their course, but the Committee has finally demonstrated that courage and persistency, when in the right, will beat down lawlessness, and it has broken the power of the criminal element among the union leaders in the building trades to terrorize the working community.

The Committee favors a continuance of the present situation in Chicago, continuing relations with the loyal unions but maintaining open shops in the other trades, and granting the wage advance already referred to. The situation is unsettled.

The Situation in New York

In New York the pressure of home-builders, speculative builders and the regular contractors was so great that the situation passed quite out of hand. Besides open bidding, all sorts of bonuses have been paid to entice workmen away from one employer to another. Where a building is far advanced the cost of finishing is set over against the rental value or the penalties of the building contract. There were not enough workmen for the work, and the law of supply and demand played into the hands of the men.

The bricklayers had been getting $10 per day of eight hours, and asked for $12. This was agreed to, but they quickly demanded that this rate be established for two years from May 1, 1923. The Mason Builders' Association, which includes the leading contracting firms, but by no means all of the contractors, objected, on the ground that conditions could not be foreseen so far ahead, and that the increase probably would lead to like demands by all the other building trades, which would mean a general advance of labor costs approximating 20 per cent and be likely to check building operations. The men struck and scattered to other jobs at temporary wages above $12. The members of the Mason Builders' Association had to face the prospect that they would get little work done on their jobs until the building boom was over or make up their minds to operate with non-union men. In view of the losses which would be entailed, not only to themselves but to the owners with whom they held contracts, the committee of builders voted, 8 to 7, in favor of acceding to the bricklayers' demands. The contractors for public school buildings, for which New York City is far in arrears, at the urgent solicitation of the Mayor, had already accepted the terms.

Law of Supply and Demand

The agreement with the bricklayers is expected to lead to higher pay for all the building trades within the next six months, as existing agreements expire, and will mean a higher scale of wages than that of 1920 or any previous time, and it doubtless will be maintained as long as building goes ahead under

it. The question is how long will that be? The workmen are influenced by the opportunities, just now abundant, to get work at more than $12 per day; it is claimed by their leaders that they are making a present sacrifice in leaving such jobs to accept $12, and that the agreement to maintain this rate for two years is a necessary consideration. The two years' agreement, however, will not give them work unless the contractors can get it on that basis. The reluctance of the latter to sign was due to apprehension that the work for that length of time cannot be had.

The workmen have a strong case in contending that they are entitled to the benefits of the law of supply and demand, where they are free from agreements and the question is simply a choice among employers who are bidding for them. When more buildings are wanted than can be put up this year, the situation is no different from what it is when the demand for sugar or wheat or any thing else exceeds the supply. Ordinarily there is no better way of determining who shall have the desired goods than by letting the highest bidder take them.

This argument, however, is based upon the assumption that the price or cost is a temporary one, simply determining who shall be first served. It is not justifiable to use such an emergency for fixing permanent costs that will deter building except under extreme pressure, nor will such a policy be advantageous to the mechanics. Wages, prices and rents should be responsive to conditions, so that the greatest degree of stability may be had.

If the mechanics claim the benefit of the law of supply and demand when it gives them higher wages, they should allow it to operate freely, even though the effect is to reduce wages later. The policy of pushing up wages in times of scarcity and then holding them up through periods of unemployment until another scarcity is created, results in waste and deprivation all around. It puts building costs upon an artificially high level, and works great hardship to the wage-earning class as a whole, while the building trades lose in periods of idleness the apparent gains from the high wages.

The Effect of Group Domination

The theory that wages must be high when work is to be had, to make up for idle time in periods of depression is clearly fallacious when wages are so high as to cause unemployment by their own influence. The country does not want spasms of building alternating with periods of idleness, but steady work, fair wages and rents based on moderate building costs.

The basic trouble is the domination of the community by group interests which disregard the general welfare. The building trades in some instances are managed as close communions. Some of the unions have restricted membership until with an increase of 15,000,000 in the population of the country between the last two censuses the number of members are said to have actually fallen off.

Training Schools

In some of the large cities, training schools have been established, but the graduates find difficulty about getting into the unions. Without membership in the unions it is difficult to get employment, as union members will not ordinarily work on a job with non-union men, either in their own trades or others, and contractors cannot depend upon getting non-union men of all trades to man their jobs.

There is little doubt that whenever the business men of a city become sufficiently united and in earnest to deal with the situation aggressively they can master it, but no such united action can be had unless the unions provoke it by policies that go beyond all reason. In San Francisco a few years ago conditions became so bad that the business interests organized and cleaned up the town. Practically all lines of industry there are now on an open shop basis. The Industrial Association, financed by employers, is conducting trade schools at the present time, which have turned out 750 graduates.

Mr. James Baird, President of the George A. Fuller Company, and Chairman of the Emergency Committee of the Mason Builders' Association of New York, in a recently published statement has proposed that the owners of the $100,000,000 worth of delayed building projects in New York City provide a fund of $500,000 for trade schools here. He does not propose it as a strike measure or as a measure of hostility to the unions, but to overcome the present shortage of mechanics in this city. His committee has made a canvass of building operations in Greater New York and reported that on June 1st the total number of bricklayers at work was 4,642, and of this number from 1,000 to 2,000 are transients. This number is inadequate for the amount of work offering and likely to be offered for an indefinite period provided building costs are on a reasonable basis.

Highway Construction

Highway construction has been an important factor in industrial activity in recent years, and will continue to be for a good many years to come, for it will be a long time before the whole country is provided with good roads. Reports of labor scarcity coming from over

the country since last March have frequently mentioned the competition of highway contractors for labor as one of the reasons why the industries have found it necessary to advance wages. In attempting to forecast the state of employment the amount of road construction in prospect, therefore, is an important item.

The Bureau of Public Roads, Department of Agriculture, has supervision over all expenditures by the United States Government upon road construction and undertakes to gather the available data related to expenditures by state governments and local subdivisions thereof for construction and maintenance. Fairly complete figures from 46 states show that in the year 1921 the aggregate approximated $1,000,000,000. This includes interest on outstanding obligations incurred for road purposes, but as yet that is a minor item.

During 1921 the total mileage improved with some form of surfacing amounted to 40,000 miles made up of the following types:

Rural Road Construction, 1921

Types	Miles
Sand Clay	7,000
Gravel	21,500
W. B. Macadam	3,000
Surface Treated Macadam	1,200
Sheet Asphalt	200
Bituminous Concrete	900
Cement Concrete	4,500
Brick	300
Miscellaneous	400
Total	40,000

The amount of highway construction receiving Federal aid in 1921 was 5,942 miles, upon which the Federal government's share of the cost was $41,238,012.32 and the local governments $94,991,953. In 1922, the operations under Federal aid were increased to 11,374 miles, upon which the Federal share was $90,643,207 and the local share $216,033,582. The total construction under the Federal aid law down to and including 1922 has involved a cost to the Federal Treasury of $139,227,437 and to the state and local treasuries of $328,358,884.

In answer to inquiries as to the amount of new construction in prospect, the Bureau of Public Roads advises us as follows:

On May 1 of this year there was under construction a total of 14,014 miles of Federal aid projects estimated at a total cost of $261,483,312.68. Assuming favorable conditions for the remainder of the year, approximately 10,000 miles of Federal aid roads should be completed.

Partial returns for the calendar year 1922 indicate that the total expenditures were about 10 per cent less than those for 1921. This is in part due to the transportation difficulties during the year and in part due to the smaller amount of funds made available for road construction during the financial depression of 1921. It requires in general from one to two years from the time that the funds are voted until the road program can be completed. Consequently, the construction of rural roads as measured by the completed mileage or the expenditures made does not coincide with the years in which the largest funds are made available.

Present indications are that the amount of construction and the expenditures for rural public roads during 1923 will be approximately the same as those for 1922. Just how far the present demand for reduced taxes is going to be reflected in decreased road funds in the many local communities is as yet problematical. However, any movement of this kind will have but little effect upon the expenditures and the construction during the present year. While certain sources of road revenues may be decreased, it is clear that others are being increased. This is especially true in regard to the motor vehicle fees and mileage taxes on trucks and vehicles engaged in the commmercial transportation of freight and passengers or indirectly by means of gasoline taxes.

The Federal aid apportionment for the fiscal year 1923 was $50,000,000 and for the fiscal year 1924, $65,000,000. This latter sum will be available for payment on contracts on and after July 1 of this year. An Act of Congress, June 19, 1922, authorized to be appropriated for the fiscal year 1925 a further sum of $75,000,000. However, further action must be taken by Congress before any of this latter sum can be apportioned or made available to the states.

None of the above data include highway expenditures within our incorporated cities and villages which amounted to probably one-third as much as the expenditures on our rural roads outside of such towns and cities.

In this connection it is interesting to know that the total number of motor cars and trucks registered in the United States in 1922 was 12,238,375, of which trucks and commercial cars numbered 1,278,804; state registration fees aggregated $152,047,823, of which $117,028,824 was applicable to state road work; state gasoline taxes aggregated $11,923,442, of which $6,474,178 was applicable to state road work.

It will be seen that the registration fees and gasoline taxes collected by the several states aggregated $163,971,271, but these figures do not include all of the taxes or fees paid by the motor vehicle users, as in all but 16 of the states the motor vehicle is taxed as personal property and a large number of cities also levy wheel taxes. The Federal Government also levies an excise tax on passenger cars, trucks, parts, tires and accessories, which for the fiscal years 1920 to 1922 inclusive, was as follows: 1920, $143,922,792.01; 1921, $115,548,249.31; 1922, $104,433,762.75.

The receipts of the state governments from registration fees have been growing as shown below:

1913	$ 8,192,253
1914	12,382,031
1915	18,245,711
1916	25,865,369
1917	37,501,233
1918	51,477,419
1919	64,697,255
1920	102,546,212
1921	122,478,654
1922	152,047,823

The Agricultural Situation

Crop prospects improved in June, dry and forcing weather enabling the growing plants to make up for a backward Spring. The wheat acreage is reduced in both Winter and Spring territory. The Government's June reports indicated a probable yield for both crops of 817,000,000, against 856,000,000, final figures last year, and an average for the five years 1917-1921, of 835,000,000. Harvest is under way in Southern territory. The Canadian crop starts off with fine promise.

The price is disappointing to growers, and 12 to 15 cents per bushel below the price a year ago. The carry-over is much larger than last year, and European inquiry for new crop deliveries has been very light. It has been supposed that Germany would have to buy heavily before her own crop matures, but her exchange problems are more difficult than ever. Our rye crop and exports have been increasing since the war, and rye competes with wheat. Our exports of wheat for the eleven months ending with May, 1923, were 145,698,688 bushels, against 194,314,792 bushels in the corresponding months of the previous year, or a loss of nearly 50,000,000 bushels. On the other hand, Bradstreet's reports the wheat exports from the United States and Canada as aggregating 430,413,581 bushels for the fiscal year to June 14, against 379,505,597 in the corresponding period of last year, or a gain of about 51,000,000 bushels. Clearly, Canada has been outselling us, which affords opportunity for further comment upon the futility of our policy in barring Canadian wheat from our markets. We have forced the Canadians to sell their wheat directly to Europe and they are selling to our customers. It is a question whether the whole situation would not be stronger for sellers if Canada and the United States constituted one market. There is more financial and speculative strength to carry the wheat crop on this side of the line than in Canada.

The Regulation of Future Contracts

We referred last month to the Capper-Tincher act for the regulation of trading in future contracts on the grain exchanges. One of the regulations adopted in the last month requires commission houses to report the names of speculators who trade in quantities above a certain amount. Assurance is given that there is no intention of obstructing legitimate trading, but inasmuch as it is the avowed opinion of the authors of the law that most of the trading is illegitimate, and that speculation is a public offence, speculators view the proceeding with suspicion. The effect is to discourage speculation, which is precisely what the market must have to sustain the price under heavy receipts. The September delivery of wheat was worth in Chicago at the beginning of June about $1.10 cents and at the close of June about $1.02.

Corn and Hogs

Corn has been strong and hogs weak, although the latter made a good rally in the latter part of June. Corn and hogs are closely related in values and have reversed their positions of a year ago. Then there was not enough hogs for the corn and now there is not enough corn for the hogs. Then the hog-raisers had the best of it and now it is the corn-growers. The only way to beat these fluctuations is by growing both. The corn and hog relationship illustrates the relationship that exists between all the industries. The problem is that of maintaining the equilibrium all around. Legislation cannot do it; an understanding of mutual interests alone will do it.

The Cotton Crop

The progress of the cotton crop is the subject of critical interest, owing to the small carry-over. Stocks will be practically exhausted by the time the new crop is available, and a difference of a million or two bales in the American crop is likely to make a very great difference in the price. The amount of American cotton consumed in the present crop year has been about 13,000,000, and at this time it seems probable that the new crop will fall under 12,000,000 bales, perhaps under 11,000,000. The crop had too much rain at first, but of late the weather has improved. The expected increase of acreage has not fully materialized, and is now estimated at 7 or 8 per cent. The outlook is for a good crop in Texas and an extension of the cotton area all around the borders of the old field, in territory free from the boll weevil. Cotton rose during the past month nearly to 30 cents, but under more favorable weather reports sagged off to about 27 cents for July, with October about 2½ cents lower.

The Farmers' Position

There is a good deal of natural impatience that the agricultural situation recovers so slowly, but impatience with conditions for which nobody is to blame is of little practical value. Secretary Wallace has recently pointed out that the production of most of the grains has been largely increased. The receipts of hogs at Chicago in the first five months of this year have been about one-third larger than the corresponding months of last year. Such conditions inevitably affect prices, but it must be considered that the increased production of both grain and hogs has been ob-

tained with very little additional labor or expense. Hogs are down in price, but not one-third, and the increased yield of grain has been at lower cost per bushel. The manner in which the big corn surplus has disappeared and the price has rallied is significant of what is likely to happen with other farm products. The population of the United States is greater by 15,000,000 than in 1913, and increasing every day. And the same is true of other populations which look to this country for food.

The Wheat Conference

The Wheat Conference which met in Chicago on June 19 and 20 in response to a call signed by seven governors of mid-western states, together with several United States Senators and officials of farm organizations, was very moderate in its resolutions, the notable feature being the complete defeat of the party agitating for price-fixing and other legislative remedies. A motion to ask President Harding to call an extra session of Congress forthwith to establish a Government Corporation and provide it with funds to buy wheat at $1.50 a bushel was voted down, two to one. A motion favoring an international economic conference was also defeated. The concrete result of the Conference was the formation of a permanent advisory Wheat Council, composed of fifteen men, representative of all interests connected with production and distribution. The speeches were mainly declaratory of dissatisfaction with the existing ratio between prices of farm products and of other products and services, and of belief in cooperative marketing. Nobody cares to argue against voluntary experiments in cooperative marketing, for in some lines of production such efforts have yielded good results, but there is less probability of gains from them in dealing with such staples as wheat and cotton than anywhere else. The gains from cooperative marketing have been largely by grading the products and creating a larger market for them, but there is little that can be done for the chief staples along these lines.

The Undue Spread of Prices

The prevalent idea that there is an undue spread between the price of wheat at harvest time and the latter part of the crop year was aired, as usual. It is remarkable how persistently a theory can resist a fact. The market records running over a term of years do not support this theory. The records of the Minneapolis Chamber of Commerce which we gave last month refute it, and the records of the Department of Agriculture make a similar showing. Moreover, common business experience tells us that if there was a strong probability of better than ordinary profits, on the average, in buying wheat at harvest to sell the following Spring the competition for such profits would quickly reduce them. There are no large and sure profits in so simple a business as warehousing a staple commodity. It was peculiarly inapt for speakers to dwell on this point at the Chicago conference, within a few weeks of the end of the crop year, and with wheat selling at that very time below the average prices ruling at the last harvest.

The World Competes for Wheat

There is much misconception in the theory that the individual farmer, by reason of his isolation, lack of organization and lack of knowledge of market conditions, is at a disadvantage in selling his wheat crop. The theory that he lacks bargaining power assumes that buyers are combined, and actuated by the single motive to get his wheat away from him at the lowest possible price. There is no such community of interest among wheat dealers. There are thousands of them, located in every exporting and importing country, every one intent upon getting his share of the business, and making any profit that is to be made in moving wheat from one market to another or in carrying it from one part of the year to another. There is a certain demand for wheat at about a given price; the world wants it, and every dealer can figure for himself upon the supply, the effect of price upon consumption, and what he can afford to pay. There is inevitable competition between buyers so long as there is reasonable promise of profit. It shades off as the chance of profits diminishes, and this is where it is proposed to have the farmer take hold.

The price of wheat from day to day in central markets is a concensus of world opinion as to its value, with all factors in the situation taken into account. The local markets where the farmers sell are more restricted, but the daily papers carry the quotations of the central markets to every village and farm, and the local markets are not likely to be far out of line. Moreover, the task of moving the crop from the farms to the central markets is quite distinct and different from that of attempting to control the latter. The farmers' cooperative elevators can operate with little risk because they have the hedging facilities of the central markets, but when the farmer sets out to operate independently of the markets, or to control the markets, he takes his place with the other speculators, with possibly one economic factor in his favor, to-wit, ability to carry his own wheat in his own granary at lower cost than it can be carried in the centers.

Of course there is no reason why the farmer should not make the most of this single advantage which he has over the speculators, whenever prices fall below the normal level indicated by production costs; he is on safe ground there, and the stabilizing influence of farm reserves would be beneficial to the markets. It is quite impossible, however, that any association of farmers, no matter how many are included, ever can adjust prices to suit supply and demand as readily and effectually as the present system of free trading does it. No single group or board of officials can fix the market price of a world commodity. That idea is a fantasy.

The Fallacy of Group Control

Moreover, the whole idea of mass action, group control over the various commodities and services which are offered for exchange in the modern community is fundamentally unsound. It is syndicalism, which is worse than socialism. The latter in theory seeks to promote common interests, but syndicalism magnifies group interests, and would promote endless antagonisms. Neither would accomplish the professed purpose of benefiting the masses, because that is accomplished more effectually through individual initiative and freedom. If too much wheat is being grown, production should be reduced, but that is best accomplished by having each individual producer free to adapt his policies to his own conditions, rather than by having every producer reduce his acreage in accordance with instructions from headquarters. In the first place, the officials at headquarters are fallible and may blunder. In the second place, all farmers are not growing wheat under the same conditions or at the same cost. All the government inquiries into the cost of growing wheat have shown a wide range of variations. All farms are not equally suitable for growing wheat; some can be shifted to various crops more advantageously than others. Some farmers have help enough within their families to farm all the land they have, while others are obliged to hire help, and there are other conditions which may have bearing upon the advisability of curtailment in individual cases. In order that curtailment may be accomplished to the greatest economic advantage it should be done by the marginal producers who are raising wheat at the highest cost or who can shift their labors at the least inconvenience or loss. And that is just what will happen if the producers are left free to manage their individual affairs, instead of being directed en masse. Of course the more information of a reliable character that can be given to guide them in adapting their policies the better.

Prosperity Dependent on Balanced Industry

It must be constantly remembered that every state of depression is due to loss of the equilibrium which should exist between the industries. Too much of some things are being produced in proportion to the production of other things. The exchange ratio is disturbed, either by unbalanced physical production or unbalanced prices. The latter have the same effect as the former. An unbalanced state of physical production should be corrected, not by throwing people out of work or lessening the aggregate production but by shifting labor from one kind of production to another, to restore the balance. The natural fluctuation of prices will accomplish this if the markets are free, so that they reflect conditions, and if producers are free to respond. These natural tendencies are baffled by efforts of interested and short-sighted persons to regulate prices and production arbitrarily.

The syndicalist scheme of organizing industries and tying up individual workers and producers to obey the instructions of leaders, deprives the whole industrial system of the flexibility which is necessary to its proper functioning. Of course, each group does it ostensibly in self-defence or upon the plea that other groups do it, a plea used to justify every form of aggression and wickedness with which the world is affected.

Mr. Gompers and Mr. Stone

Mr. Gompers, of the American Federation of Labor, and Mr. Stone, of the Brotherhood of Locomotive Engineers, were at the Conference, and pledged the support of their organizations to any efforts the farmers might make to raise the price of wheat, confident no doubt that the organizations they represent will be able to hold their own in any price-raising and wage-raising competition that may develop. All they ask is a free hand. On the strength of the slight rise in the cost of living that has taken place since farm products reacted from the low point of 1921, Mr. Gompers is here, there and everywhere urging that wages be restored to the top figures of 1920, or carried farther up. His favorite argument is that the higher wages are lifted the more the wage-earners will eat, which has an element of truth in it, but obviously has its limitations. Since Mr. Stone returned from the Wheat Conference announcement has been made that the Brotherhoods of Trainmen will shortly ask for a Conference with the Railway Managers for the purpose of considering the revocation of the single wage reduction they have accepted since 1920.

We are quite ready to believe that Messrs. Gompers and Stone are sincere in the policicies they advocate, for surely neither of them

would have ventured to advocate them in a convention of farmers unless blind to every interest except those which they especially serve. The chief cause of agricultural distress today is not low prices for agricultural products, most of which are above the pre-war level, but the arbitrary and short-sighted action of labor organizations in maintaining the cost of the goods and services which the farmer must buy far above the pre-war level, and in unfair relations to the prices of his products. There is not the slightest evidence in anything that Messrs. Gompers and Stone do or say to indicate that they will cooperate to lessen in any degree the existing disparity between the compensation of the farmers and that of the wage-earners whom they represent. And the farmers may hold conferences until doomsday without getting any relief unless that disparity is reduced. The entire issue at last is over the terms upon which the exchange of services shall be made. The advantages of group-bargaining to the railroad employes and to Mr. Gompers' numerous organizations would be almost wholly lost if the compensation of all workers, including farmers, was advanced at once. There are practically no gains except what they are clever enough to get at the expense of each other.

The Bond Market

The most notable event in the bond market during the month was the offering of $25,000,000 of Austrian government bonds, and the prompt covering of the same by subscriptions aggregating $100,000,000. The effect in Europe of this demonstration of America's readiness to cooperate in European financing when the conditions are right was very cheering.

This loan is part of several offerings, made in different countries and aggregating about $120,000,000, all for the same purpose and secured in the same manner. They are issued in pursuance of a plan formulated under the auspices of the League of Nations, for the reconstruction of Austria's economic life. The funds are to be used to stabilize the Austrian monetary system, relieving the government from the necessity of continuing to print money to pay running expenses, until it can balance its Treasury budget.

This loan is unique in character for it is endorsed by nearly all of Europe. The bonds are not only secured on the general revenues of Austria, but have a prior charge on the customs revenue and tobacco monopoly. The present yield of these two specifically pledged revenues is equal to about 20 per cent per annum upon the principal of the loan. In addition to the security which Austria offers for the loan, guarantees both as to principal and interest are given by the undermentioned States in the proportions stated:

	Per cent		Per cent
Great Britain	24½	Czecho-Slovakia	24½
France	24½	Belgium	2
Italy	20½	Sweden	2
Denmark	1	Holland	1

Nothing quite like this has ever been attempted before. It is historical in the sense that it represents the first constructive effort of European statesmanship to repair the ravages of war, and as such demonstrates the value of cooperation in economic work. The guarantees give the loan a quality which no other foreign issue possesses.

During the period preceding the successful flotation of this loan, foreign government bonds in general enjoyed an excellent market. French issues in particular were widely traded, and the 8 per cent bonds of the Kingdom of the Serbs, Croats and Slovenes reached a high point of 78½ compared with 53½, the low point since January 1st. Republic of Czechoslovakia 8 per cent bonds advanced to 96½, the price of original issue.

The purchase of dollar issues abroad has undoubtedly affected materially the foreign government market. It has been stated that of the two Swiss dollar loans in this market $7,000,000 5½s due 1927 and about $1,400,000 8s of 1940 have been repurchased and this is one of the best indications of the soundness of Swiss credit. In the past Japan has also been a large purchaser of her bonds in this market. Another foreign issue which is widely held by Americans is Paris-Lyons-Mediterranean 6s. The report of this system for 1922 shows an operating ratio of approximately 88½ per cent as compared with 104 per cent for the preceding year. The improving business of this important French railroad system has been largely responsible for the advancing market which the bonds have enjoyed.

Governments and Municipals

The government and municipal market was active, and the important issues enjoyed a successful flotation. The United States Government asked for subscriptions for $150,000,000 United States 4 Per Cent Certificates of Indebtedness to mature in six months. Total subscriptions received aggregated $342,462,800 against which a total of $189,833,500 were allotted. In connection with government finance, it was announced that Great Britain paid during the month $69,000,000 representing interest on its debt to the United States, and a further payment of $1,000,000 on account of principal. Payment was made in the form of Liberty Bonds which were probably purchased at an average discount of 1½ points

below par. The Federal Land Banks offered $45,000,000 4½ per cent Farm Loan Bonds at 100¼ and interest. There have been several important state issues during the month, the largest being $25,000,000 State of Kansas 4½ per cent Soldiers' Compensation Bonds at prices to yield from 4.35 per cent to 4.25 per cent according to maturity. The following were also offered: $22,000,000 State of Iowa 4¼ per cent Soldiers' Bonus Bonds, to yield from 4.25 to 4.20 per cent according to maturity; $15,000,000 State of North Carolina One Year 5 per cent Notes, to yield 4.50 per cent; $1,650,000 State of Maryland 4½ per cent Bonds, to yield from 4.25 per cent to 4.15 per cent; $800,000 State of Maine 4 per cent Bonds, to yield 4.03 per cent. Among the larger issues of city bonds were the following: $3,790,000 Milwaukee 4½ per cent Bonds, to yield an average of 4.25 per cent; $1,689,000 Minneapolis 4½ per cent Bonds, to yield an average of 4.35 per cent; $5,000,000 City of Chicago 4 per cent Sanitary District Bonds, to yield an average of 4.30 per cent.

Industrial Issues

Following the successful flotation of the Austrian Loan, three high grade issues yielding in the neighborhood of 5 per cent were offered in quick succession. These issues included: $50,000,000 Illinois Bell Telephone First and Refunding 5 per cent Bonds at 95¼ and interest; $25,000,000 Standard Oil of California 5 per cent Debentures, maturing in from one to ten years, at prices to yield from 5 per cent to 5.17 per cent; $9,930,000 Chicago & Northwestern Railway 5 per cent Equipments, to yield 5.25 per cent. These 5 per cent coupons are an interesting commentary on the present condition of the bond market. While prices generally are slightly lower than they were a year ago, nevertheless high grade issues of this character are attracting investors and institutions. Other issues during the month included: $25,000,000 Sinclair Consolidated Oil First Collateral Fifteen Year 6 per cent Bonds at 94 and interest, to yield 7.15 per cent; $4,000,000 Sun Oil Company Two Year 6 per cent Debentures at par; $8,000,000 Belgo-Canadian Paper First Mortgage Twenty Year 6 per cent Bonds to yield 6.25 per cent; $10,000,000 Simmons Hardware Companies Ten Year 6½ per cent Bonds to yield 6.75 per cent; $8,000,000 Wheeling Steel Corporation Three Year 6 per cent Notes at par, and $12,000,000 Pure Oil 6½ per cent Ten Year Notes to yield 6.60 per cent.

The average price of forty standard bonds as listed by the Wall Street Journal on June 25th was 86.79 compared with 87.25 on May 25th and 89 on June 25, 1922.

Industry and Finance in Sweden

For the period ending May 31, Sweden experienced considerable labor troubles. Production was practically at a standstill throughout March and most of April in three of the most important industries, wood pulp factories, saw mills and iron works. In the first two industries about forty thousand workers were involved and in the latter something like twenty thousand. Collective bargaining has lately established more settled conditions. Due to these difficulties unemployment figures have shown only a slight decrease in the first quarter of the year, from 21.7 to 19.9 per cent. There are indications that unemployment not directly concerned with the trade disputes has slightly though steadily diminished and thus it has been possible to reduce Government relief bonuses. There has been a slight increase in prices of wooden goods, wood pulp and iron and exports have increased somewhat in mechanical and chemical industries.

There has been little change in the money market in the last few months and governmental and industrial borrowing continues to be important. During the first four months of this year new loans were issued of 127,000,000 Kroner against 23,000,000 Kroner the preceding year, with the number of bankruptcies and dishonored bills at about the same level as the middle of 1922, that level at that time having indicated a considerable improvement over the earlier days of the liquidation period.

Effort has been made by the Sveriges Riksbank to stabilize the exchange value of the dollar in Sweden and it has been decided to defer the resumption of free gold payments until later on. This is a continuance of the policy adopted toward the end of 1922.

Statistics compiled by the Swedish Board of Trade indicated wholesale prices reached on an average their lowest point at the turn of the year 1922-23 when the Board of Trade index registered the figure 163, taking 100 as the norm for the year 1913. There has since been a rise to 168. On April 1 the cost of living was 177 as against 183 on January 1, a difference due for the most part to a revision of the taxation factor.